

TAMARACK DISTRICT LIBRARY
MONTCALM COUNTY, MICHIGAN
AUDIT REPORT
JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

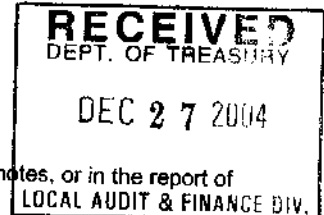
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name TAMARACK DISTRICT LIBRARY	County MONTCALM
Audit Date 6-30-2004	Opinion Date 12-9-2004	Date Accountant Report Submitted to State: 12-22-2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) TERRY KIRKPATRICK, CPA, P.C.			
Street Address 211 MAPLE STREET		City BIG RAPIDS	State MI
Accountant Signature 		ZIP 49307	Date 12-22-04

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TERRY KIRKPATRICK, CPA, P.C.
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Independent Auditor's Report

To the Library Board of the Tamarack District Library
Montcalm County, Michigan

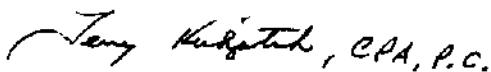
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamarack District Library, Montcalm County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise Tamarack District Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Tamarack District Library, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tamarack District Library, Montcalm County, Michigan, as of June 30, 2004, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Tamarack District Library has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tamarack District Library, Montcalm County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan
December 9, 2004

BASIC FINANCIAL STATEMENTS

Tamarack District Library – Montcalm County, Michigan
Government Wide Statement of Net Assets
June 30, 2004

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 195,190
Capital Assets (Net)	<u>177,121</u>
Total assets	<u>\$ 372,311</u>
LIABILITIES	
Accounts Payable	\$ 365
NET ASSETS	
Invested in capital assets, net of related debt	177,121
Unrestricted	<u>194,825</u>
Total net assets	<u>371,946</u>
Total liabilities and net assets	<u>\$ 372,311</u>

The "Notes to Financial Statements" are an integral part of these statements.

Tamarack District Library – Montcalm County, Michigan

Government Wide Statement of Activities

For the Year Ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Operating Grants</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
PRIMARY GOVERNMENT				
Cultural and Recreation	\$ 148,741	\$ 23,498	\$ 0	\$ (125,243)
Depreciation (unallocated)	1,250	0	0	(1,250)
Total primary government	<u>\$ 149,991</u>	<u>\$ 23,498</u>	<u>\$ 0</u>	<u>\$ (126,493)</u>

General Revenues

Tax Contributions from County

88,197

State Grants

10,378

Charges for Services

65,453

Interest Earnings

1,626

Total general revenues

165,654

Change in Net Assets

Net assets - Beginning of year

39,161

Net assets - End of year

332,785

\$ 371,946

The "Notes to Financial Statements" are an integral part of these statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Tamarack District Library – Montcalm County, Michigan
 Governmental Fund Balance Sheet
 June 30, 2004

	General Fund	Building Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 175,614	\$ 19,576	\$ 195,190
LIABILITIES AND FUND EQUITY			
Accounts Payable	\$ 365	\$ 0	\$ 365
Fund Balance - Unreserved and Undesignated	175,249	19,576	194,825
Total liabilities and fund equity	\$ 175,614	\$ 19,576	\$ 195,190
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets			
Total Governmental Fund Balances			\$ 194,825
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.			
Cost of capital assets, net of depreciation			177,121
Net assets of governmental activities			\$ 371,946

The "Notes to Financial Statements" are an integral part of these statements.

Tamarack District Library – Montcalm County, Michigan

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	General <u>Fund</u>	Building <u>Fund</u>	Total Government <u>Funds</u>
REVENUES			
Tax Contributions from County	\$ 88,197	\$ 0	\$ 88,197
State Grants	10,378	0	10,378
Charges for Services	65,453	0	65,453
Interest and Rents	1,367	259	1,626
Other Revenue	22,376	1,122	23,498
Total revenues	<u>187,771</u>	<u>1,381</u>	<u>189,152</u>
EXPENDITURES			
Cultural and Recreation	<u>148,741</u>	<u>0</u>	<u>148,741</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	39,030	1,381	40,411
Fund Balance - July 1, 2003	<u>136,219</u>	<u>18,195</u>	<u>154,414</u>
Fund Balance - June 30, 2004	<u>\$ 175,249</u>	<u>\$ 19,576</u>	<u>\$ 194,825</u>

The "Notes to Financial Statements" are an integral part of these statements.

Tamarack District Library – Montcalm County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2004

Net Change in Fund Balances - Total Government Funds	\$ 39,161
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	<u>1,250</u>
Change in Net Assets of Governmental Activities	<u>\$ 40,411</u>

The "Notes to Financial Statements" are an integrated part of these statements.

Tamarack District Library – Montcalm County, Michigan

Notes to Financial Statements

For the Year Ended June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Tamarack District Library conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Tamarack District Library:

Reporting Entity

The Township is governed by an appointed, eight-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Library does not contain any component units.

Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Tamarack District Library – Montcalm County, Michigan

Notes to Financial Statements - Continued
For the Year Ended June 30, 2004

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted-for in another fund.

The Building Fund is used to record donations and interest for expenditures for a new Library Building.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Capital Assets – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Building	40 years
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Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by July 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a library to amend its budgets during the year.

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States: United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Tamarack District Library – Montcalm County, Michigan

Notes to Financial Statements – Continued

For the Year Ended June 30, 2004

The Library has designated one bank for the deposit of Library Funds. The investment policy adopted by the Library Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Library's deposits and investment policy are in accordance with statutory authority.

At year-end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 195,190

The bank balance of the primary government's deposits is \$202,226 of which \$178,436 is covered by federal depository insurance.

NOTE D – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and Houses	\$ 128,996	0	0	\$ 128,996
Capital assets being depreciated				
Buildings	50,000	0	0	50,000
Less Accumulate depreciation for Capital assets	(625)	(1,250)	0	(1,875)
Net capital assets	<u>\$ 178,371</u>	<u>\$ (1,250)</u>	<u>\$ 0</u>	<u>\$ 177,121</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE E – RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Library has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

Tamarack District Library – Montcalm County, Michigan

Budgetary Comparison Schedule

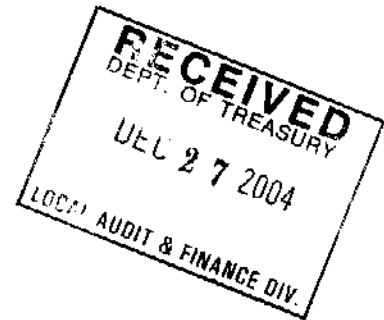
General Fund

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 136,219	\$ 136,219	\$ 136,219	\$ 0
Resources (inflows)				
Tax Contributions from County	76,735	76,735	88,197	11,462
State Grants	6,000	6,000	10,378	4,378
Charges for Services	66,100	66,100	65,453	(647)
Interest and Rents	2,000	2,000	1,367	(633)
Other Revenue	10,900	10,900	22,376	11,476
Amounts Available for Appropriation	297,954	297,954	323,990	26,036
Changes to Appropriations (outflows)				
Cultural and Recreation				
Library	154,628	154,628	148,741	5,887
Budgetary Fund Balance - June 30, 2004	\$ 143,326	\$ 143,326	\$ 175,249	\$ 31,923

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December 9, 2004

To the Honorable Chairman and Members of the
Library Board of the Tamarack District Library,
Montcalm County, Michigan:

We have recently completed our audit of the basic financial statements of the Tamarack District Library for the year ended June 30, 2004. During this audit, we had an opportunity to observe accounting and financial procedures and many of your general management practices. As a result of our auditing procedures, there are some comments we want to present.

DEFERRED TAX REVENUE

The tax dollars collected by Montcalm County and passed on to the Tamarack District Library are received prior to the end of the Library's fiscal year. Therefore, the generally accepted accounting principle is that this revenue be recognized in the current year and not deferred to the next fiscal year.

OTHER MATTERS

We want to thank your personnel for the courtesy and cooperation shown us by them during our audit.

We have mailed two copies of the audit report and this letter to the Michigan Department of Treasury.

If you have any questions regarding the above or the audit, please contact us.

Sincerely,

Terry Kirkpatrick, CPA, P.C.